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NEW PERS MEMBER INFORMATION

# MONTANA

## THE CHOICE IS YOURS, THE TIME IS NOW!

## THE POWER TO CONTROL YOUR FUTURE

**DBRP**
Defined Benefit Retirement Plan

**DCRP**
Defined Contribution Retirement Plan

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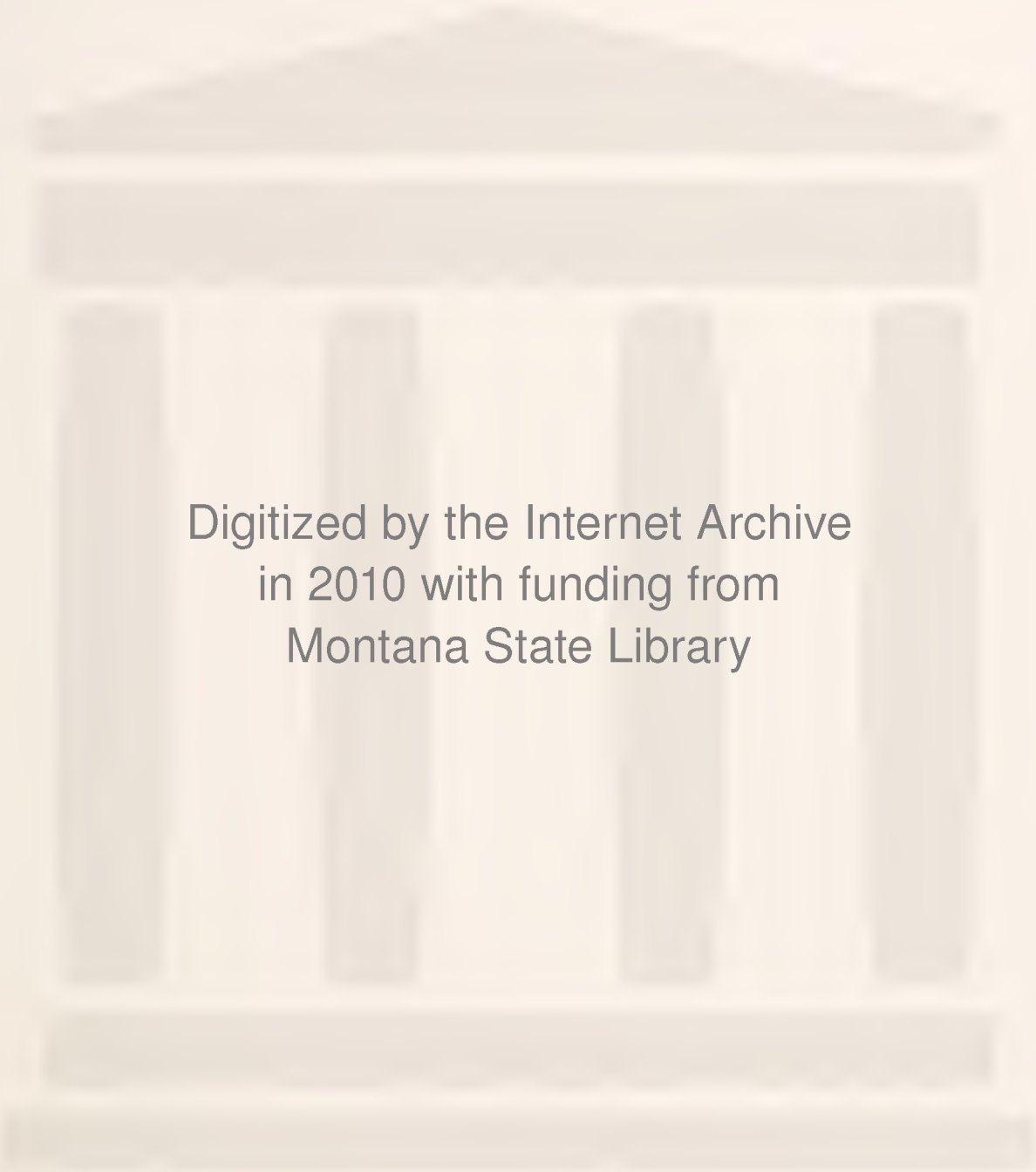
# Defined Benefit & Defined Contribution Retirement Pl
## Based on 2005 Law

| FEATURE | DEFINED BENEFIT RETIREMENT PLAN | DEFINED CONTRIBUTION RETIREMENT PLAN |
|---|---|---|
| Employee Contributions | 6.9% of Gross Compensation | 6.9% of Gross Compensation |
| Tax Status of Contributions | Pre-Tax | Pre-Tax |
| Tax Status of Earnings | Tax-Deferred | Tax-Deferred |
| Tax Status of Distributions | Taxable | Taxable |
| Disability Benefit | Provided in Plan | Provided in Plan |
| Employer Contributions | 6.9% of Covered Payroll | 6.9% of Covered Payroll |
| Allocation of Employer Contributions | 6.86% - Pension Trust Fund which covers:<br>- Administrative Costs<br>- Normal Cost<br>- Disability Benefits<br>0.04% - Education Fund<br>6.90% Total | 4.19% - Individual Account<br><br>2.37% - Plan Choice Rate<br>0.30% - Disability Fund<br>0.04% - Education Fund<br>6.90% Total |
| Purpose of Employer & Employee Contributions | Fund a Lifetime Benefit | Fund the Individual Account |
| Benefit Determined by | Formula | Individual Account Balance |
| Benefit/Payment Frequency | Monthly | Individual Selects |
| Benefit Guarantee | Guaranteed for Life | None, Depends on Account Balance |
| Benefit Adjustments | 3% Guaranteed Annual Benefit Adjustment (GABA) | Individual Selects Amount (May Change Based on Need) |
| Eligibility | Service Retirement:<br>- Age 60 & 5 yrs membership<br>- Age 65 & in active service<br>- 30 yrs membership; any age<br><br>Early Retirement:<br>- Age 50 & 5 yrs membership<br>- 25 yrs membership; any age | Individual Account Available upon:<br><br>- Termination of Service<br>- Retirement<br>- Death |
| Prior to 5 Year Vesting | Employee may receive lump sum refund of only his or her contributions & Board set interest | Employee may receive lump sum refund of only his or her contributions and earnings |
| 5 Year Vesting | Entitles employee to lifetime monthly benefit | Entitles employee to employer contributions in the individual account |
| Investments | Pension Trust Fund invested by Montana Board of Investment | Individual account invested by employee among the investment alternatives available in the Plan |
| Investment Risk | Assumed by Employers | Assumed by Employee |
| Plan Loans<br>Hardship Withdrawals | Not Permitted | Not Permitted |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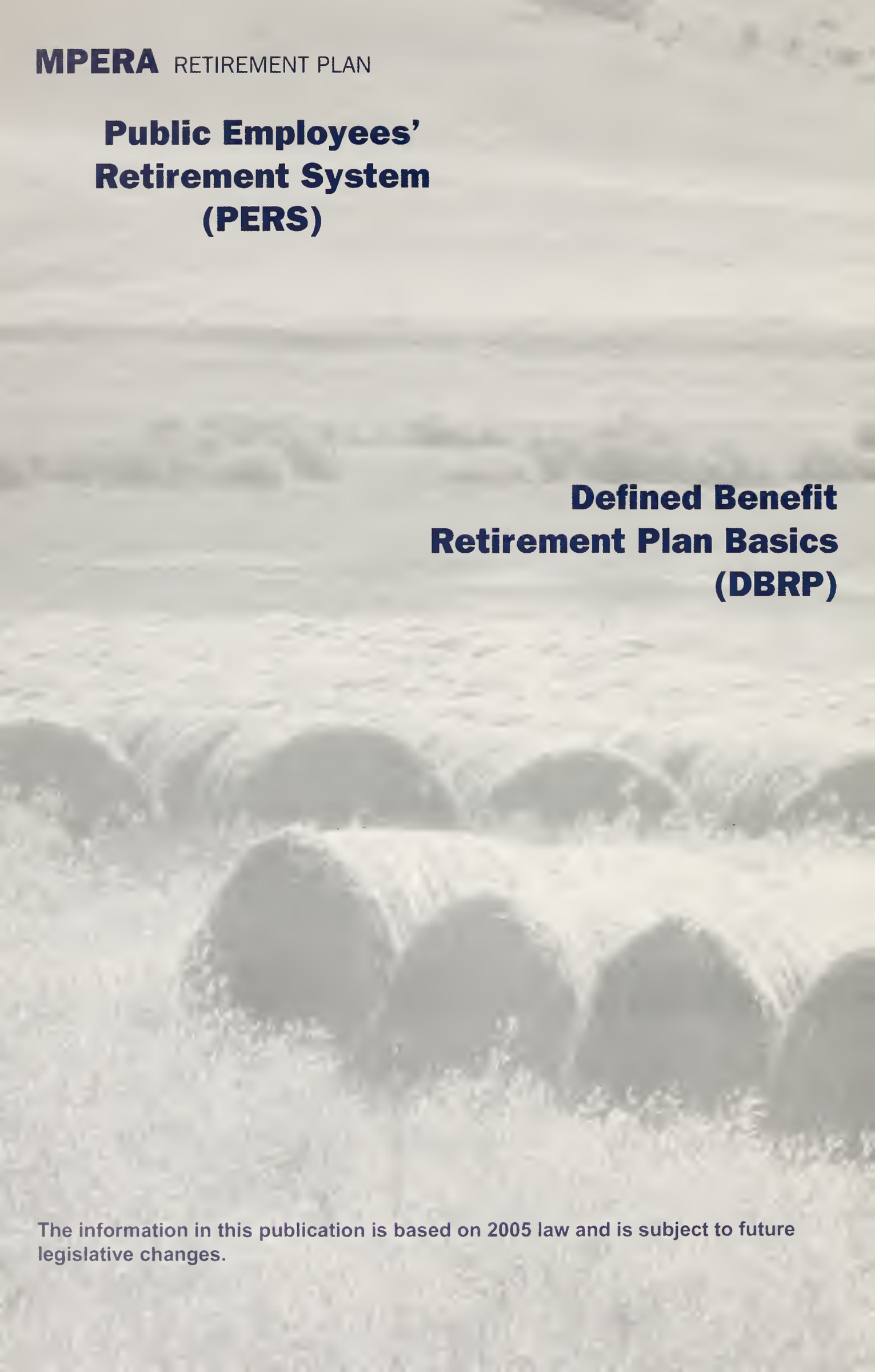
# MPERA

RETIREMENT PLAN

**MPERA** RETIREMENT PLAN

# Public Employees' Retirement System (PERS)

# Defined Benefit Retirement Plan Basics (DBRP)



The information in this publication is based on 2005 law and is subject to future legislative changes.

# Plan Features

Your Defined **Benefit** Retirement Plan has numerous features. These include:

- **Contributions**
- **Guaranteed Annual Benefit Adjustment (GABA)**
- **Five Year Vesting**
- **Purchase of Service**
- **Payment Options**
- **Death Benefits**
- **Disability Benefits**
- **Refunds**

## Contributions

Both you and your employer contribute to PERS.

### Employee Contributions

You contribute 6.9% of your compensation to PERS. Your 6.9% contribution is calculated on your gross compensation, before any pre-tax deductions. Your employer will withhold the contributions and send them to PERS.

### Employer Contributions

Employers contribute 7.035% of their total PERS covered payroll to PERS.

Of the 7.035% employer contribution, the State contributes 0.1% for local governments and 0.235% for school districts.

Employer contributions provide "pooled" funds for:

- Retirement, disability and death benefits
- Education

Employer contributions are not refunded to participants.

### Additional Contributions

Payments to purchase various types of optional service credit are the only method of contributing additional funds to the Defined **Benefit** Retirement Plan. (See Purchase of Service on Page 9.)

# Guaranteed Annual Benefit Adjustment (GABA)

Whether you retire with a service retirement or an early retirement benefit, you are eligible for the Guaranteed Annual Benefit Adjustment (GABA). The GABA ensures an increase in your benefit from the previous year.

**GABA Increase:**

- 3% for members hired **before** July 1, 2007
- 1.5% for new members hired **on or after** July 1, 2007

**GABA Eligibility:**

- After 12 months of benefits
- Effective with the following January 1st benefit
- Applies to:
  - Service retirement benefits
  - Early retirement benefits
  - Disability benefits
  - Survivorship benefits



The GABA is **not** tied to inflation, but gives you and your family some inflation protection!

# Five Year Vesting

- You are vested when you complete five years of membership service.
- "Vested" means that you are guaranteed a retirement benefit when you meet the age and service requirements for early or service retirement.
- Once vested, you may also be eligible for disability retirement.

**Remember:**

Vesting in the Defined **Benefit** Retirement Plan means you have the right to a benefit. The benefit is a lifetime income in the form of monthly retirement payments.

# Defined Benefit Retirement Plan

Your Defined **Benefit** Retirement Plan uses a specific formula to determine your lifetime retirement benefit. It guarantees a specified monthly retirement benefit based upon that formula. Your monthly benefit will be paid to you for your lifetime. Following one year of retirement, your monthly benefit will be increased each January by a Guaranteed Annual Benefit Adjustment (GABA).

The formula is:

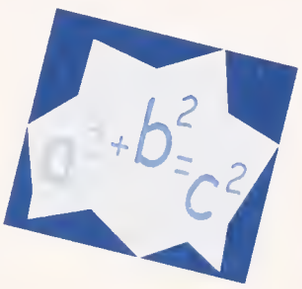
Membership Service Factor

x

Highest Average Compensation (HAC)

x

Service Credit




Let's define each component of the formula:

**Membership Service Factor**

The membership service factor for participants with:

- less than 25 years of membership service is 1.7857% (1/56).
- 25 or more years of membership service is 2.0% (1/50).

A full month of **membership service** is earned for any hours reported to the PERS by a participant's employer during any given month, regardless of the number of hours. One hour reported in a month will result in one month of membership service. Membership service is used to determine the membership service factor.

**Highest Average Compensation**

**Highest average compensation** (HAC) is your highest average monthly compensation during any consecutive 36 months of membership service.

**Service Credit**

A full month of **service credit** is earned when 160 hours or more is reported to the PERS by a participant's employer during any given month. If less than 160 hours are reported, proportional service credit is earned.

Often a participant's membership service and service credit differ. Part time employees tend to see the biggest difference.

# Service Retirement

To be eligible for **service retirement**, you must meet one of the following requirements:

- Any age with 30 years of membership service
- Age 60, with at least 5 years of membership service
- Age 65 and in active service

## Service Retirement Examples

Remember, your Defined **Benefit** Retirement Plan formula determines your guaranteed lifetime benefit. The following examples illustrate how the formula is applied in different circumstances.

### Example 1: Drew

- 27 years of membership service and service credit
- 60 years of age
- $3,000 per month HAC

#### Eligibility:

Drew's age, combined with his years of membership service, make him eligible for service retirement.

- He is age 60 with at least 5 years of membership service.

#### Membership Service Factor:

Drew's 27 years of membership service makes him eligible for the larger 2% factor.

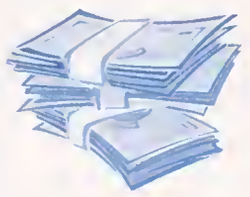
- He has at least 25 years of membership service.

### Benefit Calculation:

Drew's defined benefit calculation is 2% (membership service factor) times 27 (years of service credit) times $3,000 (HAC), which provides an initial service retirement benefit of $1,620 per month.

- **Calculation**

  2% X 27 X $3,000 = $1,620 Per Month



### Survivor Benefit:

If Drew wants to provide a survivor benefit, he would take a reduced monthly benefit. If Drew dies first, his survivor would receive all or a portion of that reduced monthly benefit. (See Payment Options on Page 10.)

## Example 2: Mary

- 23 years of membership service and service credit
- 60 years of age
- $3,000 per month HAC

### Eligibility:

Mary's age, combined with her years of membership service, make her eligible for service retirement.

- She is age 60 with at least 5 years of membership service.

### Membership Service Factor:

Mary's 23 years of membership service requires use of the 1.7857% factor.

- She has less than the 25 years of membership service required to use the 2% factor.

### Benefit Calculation:

Mary's defined benefit calculation is 1.7857% (membership service factor) times 23 (years of service credit) times $3,000 (HAC), which provides an initial service retirement benefit of $1,232 per month.

- **Calculation**

  1.7857% X 23 X $3,000 = $1,232 Per Month

### Survivor Benefit:

Similar to Drew, if Mary wants to provide a survivor benefit, she would take a reduced monthly benefit. If Mary dies first, her survivor would receive all or a portion of that reduced benefit. (See Payment Options on Page 10.)

# Early Retirement

You may not want to wait until you are eligible for service retirement to retire. Early retirement allows you to retire at a younger age or with fewer years of membership service than required under service retirement. However, early retirement means you may receive benefits for a longer time. Therefore, your benefits are reduced to adjust for the expected additional payments.

To be eligible for **early retirement** you must meet **one** of the following requirements:

- 25 years of membership service at any age
- Age 50, with at least 5 years of membership service

### Early Retirement Benefit Calculation

Early retirement benefits are calculated using the same basic formula as service retirement benefits. The only difference is the use of an **early retirement factor (ERF).** Simply multiply your service retirement benefit by your ERF.

### Early Retirement Benefit Formula

- Membership Service Factor (1.7857% or 2.0%)

X

- Highest Average Compensation (HAC)

X

- Years of Service Credit

X

- Early Retirement Factor (ERF)

Basic Formula

The appropriate ERF may be determined by using the following chart. When both "Age" and "Years of Membership Service" apply to your situation, the MPERA will use the larger ERF to calculate your initial monthly benefit.

| Early Retirement Factors | | |
|---|---|---|
| **Age** | **Early Retirement Factor (ERF)** | **Years of Membership Service** |
| 59 | 0.940 | 29 |
| **58** | **0.880** | 28 |
| 57 | 0.820 | 27 |
| 56 | 0.760 | 26 |
| 55 | 0.700 | **25** |
| 54 | 0.664 | Members under age 50 with less than 25 years of membership service are not eligible for early retirement. |
| 53 | 0.628 | |
| 52 | 0.592 | |
| 51 | 0.556 | |
| 50 | 0.520 | |

## Early Retirement Example: Lauren

- 25 years of membership service and service credit
- 58 years of age
- $3,000 per month HAC

### Eligibility:

Lauren's combination of age and years of membership service do not meet the eligibility requirements for service retirement.

- She is less than 60 years old.
- She has less than 30 years of membership service.

However, she is eligible for early retirement.

- She is at least age 50, and has at least 5 years of membership service.
- She is also eligible because she has 25 years of membership service.

### Membership Service Factor:

Lauren's 25 years of membership service allows the use of the 2% factor.

### ERF:

- Lauren's correct ERF is 0.88, because the ERF of 0.88 for age 58 is larger than the ERF of 0.70 for 25 years of membership service. (See Chart on Page 5)

### Benefit Calculation:

Lauren's defined benefit calculation is 2% (membership service factor) times 25 (years of service credit) times $3,000 (HAC) times 0.88 (ERF), which provides an initial monthly benefit of $1,320 per month.

- **Calculation**

  2% X 25 X $3,000 X 0.88 = $1,320 Per Month

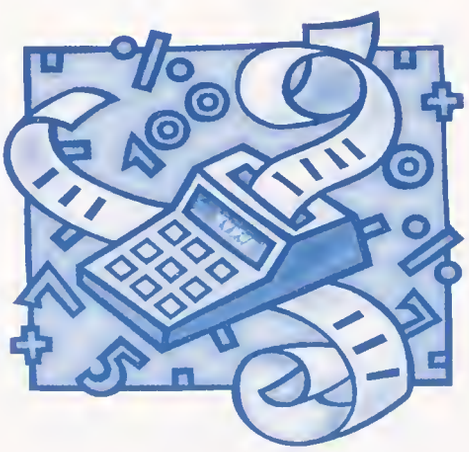
### Survivor Benefit:

Similar to Drew and Mary, if Lauren wants to provide a survivor benefit, she would take a reduced monthly benefit. If Lauren dies first, her survivor would receive all or a portion of that reduced monthly benefit. (See Payment Options on Page 10.)

If you are eligible for early retirement, you may want to identify the ERF that applies to you.

## Money Purchase Benefit

The **Money Purchase Benefit** is an alternative to the service or early retirement benefit. The Money Purchase Benefit may produce a higher benefit for participants who retire after a long period of **inactive** service.



At retirement, your initial monthly benefit is calculated using both the applicable Defined Benefit formula and the Money Purchase Benefit formula. You automatically receive the higher of the two benefit calculations.

# Plan Features

Your Defined **Benefit** Retirement Plan has numerous features. These include:

- **Contributions**
- **Guaranteed Annual Benefit Adjustment (GABA)**
- **Five Year Vesting**
- **Purchase of Service**
- **Payment Options**
- **Death Benefits**
- **Disability Benefits**
- **Refunds**

## Contributions

Both you and your employer contribute 6.9% of your compensation to the PERS.

### Employee Contributions

You contribute 6.9% of your compensation to the PERS. Your 6.9% contribution is calculated on your gross compensation, before any pre-tax deductions. Your employer will withhold the contributions and send them to the PERS.

### Employer Contributions

Employers contribute 6.9% of their total PERS covered payroll to the PERS. The State contributes 0.1% of the 6.9% for local governments and school districts.

Employer contributions provide "pooled" funds for:

- Retirement, disability and death benefits
- Education

Employer contributions are not refunded to participants.

### Additional Contributions

Payments to purchase various types of optional service credit are the only method of contributing additional funds to the Defined **Benefit** Retirement Plan. (See Purchase of Service on Page 9.)

## Guaranteed Annual Benefit Adjustment (GABA)

Whether you retire with a service retirement or an early retirement benefit, you are eligible for the Guaranteed Annual Benefit Adjustment (GABA). The GABA ensures a 3% increase in your benefit from the previous year.

- Eligible after 12 months of benefits
- Effective with the following January 1st benefit
- Ensures a 3% annual increase
- Applies to:
    - Service retirement benefits
    - Early retirement benefits
    - Disability benefits
    - Survivorship benefits

The GABA is **not** tied to inflation, but gives you and your family some inflation protection!

## Five Year Vesting

- You are vested when you complete five years of membership service.
- "Vested" means that you are guaranteed a retirement benefit when you meet the age and service requirements for early or service retirement.
- Once vested, you may also be eligible for disability retirement.

**Remember:**

Vesting in the Defined **Benefit** Retirement Plan means you have the right to a benefit. The benefit is a lifetime income in the form of monthly retirement payments.

# Purchase of Service

Eligible participants, who have elected the Defined **Benefit** Retirement Plan, may purchase various types of service. Participants purchase service to increase their retirement benefit. Service that may be purchased includes:

- Refunds*
- Retroactive*
- Absence Due to Illness or Injury *
- Montana Public Service
- Military
- Federal Volunteer Service
- Other Public Service

When you purchase the above listed service you receive both service credit and membership service.

When purchased service entitles you to both service credit and membership service, it may improve your early retirement factor **or** qualify you for:

- An earlier retirement
- The 2.0% factor for 25 years of membership service
- Vesting (*limited to 3 types of service listed above)

Another type of service you may purchase is:

- Additional ("1 for 5")

When you purchase "1 for 5" service, you receive service credit but no membership service. It is not used to determine eligibility for service retirement, early retirement, or the 2% factor.

Additional years of service credit will increase the amount of your benefit because service credit is used in the formula.

If you are interested in purchasing service, you must send a written request to the MPERA. The MPERA will assist you in determining:

- If you are eligible to purchase service
- The amount you may purchase
- The cost of your purchase

Only you can determine if purchasing service would be to your advantage. You may wish to contact a financial or tax advisor to assist with your determination.

# Payment Options

As a Defined **Benefit** Retirement Plan participant, you have several benefit payment options at retirement.

Option 1: Lifetime Retirement Benefit

Option 2: Joint and 100% Survivor

Option 3: Joint and 50% Survivor

Option 4: Lifetime Benefit with Period Certain

- 10 Year Period Certain
- 20 Year Period Certain

You may choose the payment option that best meets your personal circumstances, financial needs and objectives. Although you will not select your payment option until you retire, a general understanding of your options may be helpful in making your retirement plan choice.

Both the **service** and **early** retirement formulas calculate **Option 1**: Lifetime Retirement Benefit.

- Option 1 pays the largest monthly benefit for your life. The monthly benefit ends upon your death. However, your **beneficiary** will receive any balance left in your account. That account balance is the amount available at retirement less the total benefits already paid to you. Retirees typically exhaust their account balance in 3 to 5 years.

In contrast, each of the alternatives to Option 1 involves a reduction in your benefit in exchange for continuing benefits to your **contingent annuitant** after your death.

- Option 2 pays you less than Option 1. After your death your contingent annuitant receives the same benefit you received.
- Option 3 pays you less than Option 1, but more than Option 2. After your death, your contingent annuitant receives half of the benefit you received.
- Option 4 pays you a lifetime benefit and may pay a continuing benefit to your contingent annuitant. If you die before the end of the certain or guaranteed period (10 or 20 year period certain), your contingent annuitant receives the benefit until the guaranteed period ends.

**Beneficiary:**

The person named by an Option 1 retiree, or by an **active** or **inactive** participant, to receive any survivorship benefits or lump-sum payments after the participant's death.

**Contingent Annuitant:**

A person named by the **retired** participant to receive a continuing benefit after the participant's death.

The beneficiary and the contingent annuitant may be the same or a different person.

# Service Death Payment

A service death payment will be paid to your beneficiaries if you die:

- While in active service
- Within 6 months after terminating active service, but before receiving a retirement benefit
- Within 6 months after a disability benefit begins
- While disabled, if you have been continuously disabled since leaving active service and are not receiving a disability retirement benefit

The service death payment includes your account balance and an amount calculated as 1/12 times your last 12 months of pay times the lesser of 6 or your years of service credit. This is usually a half year of salary. For example, Jim has an account balance of $50,000 and 14 years of service credit, and dies.

| Jim's Death Payment Calculation | |
|---|---|
| $30,000<br>x 1/12 | Last 12 Months of Salary<br>Equals $2,500 |
| $2,500<br>x 6 | Lesser of 6 or 14 Years Service Credit |
| $15,000<br>+ $50,000 | Account Balance |
| **$65,000** | **Death Payment** |

Beneficiaries may receive the death payment as a lump sum or as a fixed monthly annuity payment. Annuity payments under a death payment are not entitled to receive the GABA.

## Survivorship Benefit

A vested participant's beneficiary who is eligible for a **death payment** may choose a **survivorship benefit** instead. The survivorship benefit is a lifetime monthly payment, which is often more than the monthly annuity payments under the death payment.

The GABA applies to a survivorship benefit. Beneficiaries must apply for a **survivorship benefit** within 90 days of receiving notice that they are eligible for a death payment.

**Remember:**

Keep your beneficiary information up to date. You can update your beneficiary information by completing a PERS membership card and submitting it to your payroll clerk. Your payroll clerk must forward the membership card to the MPERA.

## Disability Benefits

The Defined **Benefit** Retirement Plan has a disability benefit provision for vested participants. You must apply to the Public Employees' Retirement Board (the Board) to receive disability benefits. Once the Board determines you are disabled, you must terminate employment before your benefit payments may begin.

When you start receiving disability benefits, you may be subject to on-going medical reviews to document your continued disability status. Subject to these medical reviews disability payments continue to age 60, at which time your disability benefit automatically converts to a service retirement benefit. Your benefit is **not** recalculated when it is converted.

## Refunds

If you terminate your employment, whether you are vested or not, and wish to take a refund, you will receive only your contributions plus interest. You may receive your refund as a taxable lump sum or roll it into another eligible retirement plan or IRA.

**By taking a refund, you give up all rights to any benefits from the PERS.**

The best plan for a particular employee depends on personal and financial circumstances. The choice is yours.

If you would like more detailed information regarding your Defined **Benefit** Retirement Plan, you may access the PERS DBRP handbook from the MPERA website at http://www.mpera.mt.gov

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November 2006

# MPERA

RETIREMENT PLAN

**MPERA** RETIREMENT PLAN

# Public Employees' Retirement System (PERS)

# Defined Contribution Retirement Plan Basics (DCRP)

The information in this publication is based on 2005 law and is subject to legislative changes, including possible changes to the plan choice rate.

In addition to the 4.19% to your individual account, your employer also contributes the following to PERS for a total of 7.035%:

**Plan Choice Rate — 2.505%**

Required by statute, the rate is actuarially determined to maintain the actuarial funded stability of the Defined **Benefit** Retirement Plan.

**Education Fund — 0.04%**

The percent established by statute to fund various PERS member education programs.

**Disability Benefit Rate — 0.30%**

The percent established by statute to fund the expected cost of long-term disability benefits.

Because the above expenses are based on actuarial assumptions, they may change over time.

Total contributions to your individual account will be 11.09%.

- **6.90% Employee**
- **4.19% Employer**

2007 Legislative Update
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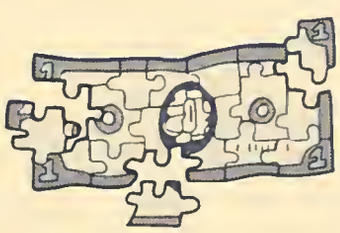
## Your Individual Account Components

You will have an individual account consisting of three components or "sub–accounts".



### Employee Contribution Component

Your contributions are credited to the "employee contribution" component of your individual account. All of your contributions and earnings are immediately 100% vested.

**Vested** means that you have a right to those funds when you terminate PERS covered employment. You will never forfeit funds in the "employee contribution" component of your individual account.

### Other Contribution Component

If you transfer or roll over funds from another eligible retirement plan, a 403(b) plan, a 457(b) plan, or an IRA, those funds will be credited to the "other contribution" component of your individual account. Done correctly, transfers and rollovers involve no income tax or penalty taxes. Be sure to consult your tax advisor.

Funds you have transferred or rolled over to your individual account, as well as any earnings, are immediately 100% vested.

### Employer Contribution Component

Employer contributions are credited to the "employer contribution" component of your individual account. Once you have 5 years of membership service, you are vested in all employer contributions credited to your individual account, as well as any earnings from those contributions.

**You forfeit all employer contributions and any earnings** on those contributions if you terminate your PERS covered employment or die **before attaining 5 years of membership service.** Forfeited employer contributions and their earnings will be used to pay administrative expenses.

A full month of membership service is earned for any hours reported to PERS by a participant's employer during any given month, regardless of the number of hours. One hour reported in a month will result in one month of membership service.

**Remember:**

Your employee contributions and other contributions are always vested. Your employer contributions are forfeited if you terminate prior to 5 years of membership service.

## Funds Transferred

You are automatically a participant in the Defined **Benefit** Retirement Plan. You have 12 months from the month your employer properly reports you to MPERA to choose whether to remain in the Defined **Benefit** Retirement Plan or transfer to the Defined **Contribution** Retirement Plan. If you choose the Defined **Contribution** Retirement Plan, the following funds will transfer into your individual account.

### Transfers to Employee Contribution Component

- The amount transferred will equal the contributions you have made to the Defined **Benefit** Retirement Plan since you were hired.
- You will receive 8% interest compounded annually on these contributions.

- **Changing Your Investment Options**

  Generally, there is no limit on the number of times you may change your investment options. However, specific investment houses may impose defined trading restrictions to help manage their cash flow. Any restrictions will be in the individual fund prospectus.

  Great West will provide instructions on how to select investment options.

- **Reviewing Quarterly Statements**

  Great West will provide quarterly individual account statements. Reviewing your quarterly statement on a regular basis is a good habit to develop. Regular reviews will quickly bring you up to date on your investments' performance and allow you to monitor and adjust your investment strategy.

## Fees and Charges

You are responsible for two types of fees and charges: **Administrative Costs** and **Investment Management Fees**.

Replacement for page 8

- **Administrative Costs:**

  **Record Keeping Administrative Charges**

  Great West charges a fee for their recordkeeping services. This charge is no more than $57 per year ($14.25 per quarter). It will be deducted directly from your individual account.

  **MPERA Administrative Charges**

  MPERA charges an asset based fee for their administrative services. This charge is currently 0.50% of your account balance **per year** and will be deducted quarterly (0.125% per quarter) from your individual account. This charge is currently capped at $300 per year.

  The MPERA administrative charges are regularly reviewed by the Board and may change.

- **Investment Management Fees:**

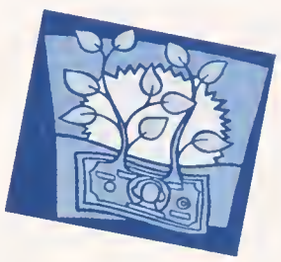
  Each investment option charges for its expenses and investment management fees. These charges are deducted before investment returns are credited to your account. All expenses and management fees are shown as "expense ratios" in each investment option's prospectus.

# Defined Contribution Retirement Plan

Defined **contribution** retirement plans specify how much is **contributed to** the plan. The benefit amount depends on the size of the participant's individual account balance at retirement. The account balance, in turn, depends on employer and participant contributions and investment earnings. Investment earnings can be either positive or negative during any period of time. Defined **contribution** retirement plan participants assume the investment risk, but are also entitled to all investment returns.

Your account will grow over time depending on the following:

- Contributions
- Earnings (either positive or negative)
- Length of time invested



## Contributions

Both you and your employer will make regular contributions to your individual account.

### Employee Contributions

You contribute 6.9% of your compensation to your individual account. Your 6.9% contribution is calculated on your gross compensation, before any pre-tax deductions. Your contributions are made on a pre-tax basis and grow tax deferred until you withdraw funds. At that time, you pay taxes on the amount you withdraw.

### Employer Contributions

Your employer will contribute 4.19% of your compensation to your individual account.

Your employer also contributes the following to the PERS for a total of 6.9%:

**Plan Choice Rate — 2.37%**

Required by statute, the rate is actuarially determined to maintain the actuarial funded stability of the Defined **Benefit** Retirement Plan.

**Education Fund — 0.04%**

The percent established by statute to fund various PERS member education programs.

**Disability Benefit Rate — 0.30%**

The percent established by statute to fund the expected cost of long-term disability benefits.

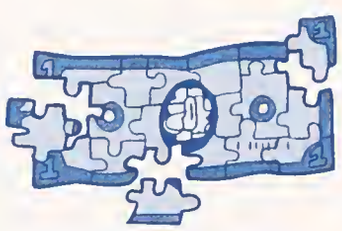
Because the above expenses are based on actuarial assumptions, they may change over time.

Total contributions to your individual account will be 11.09%.

- **6.90% Employee**
- **4.19% Employer**

## Your Individual Account Components

You will have an individual account consisting of three components or "sub–accounts".



### Employee Contribution Component

Your contributions are credited to the "employee contribution" component of your individual account. All of your contributions and earnings are immediately 100% vested.

**Vested** means that you have a right to those funds when you terminate PERS covered employment. You will never forfeit funds in the "employee contribution" component of your individual account.

### Other Contribution Component

If you transfer or roll over funds from another eligible retirement plan, a 403(b) plan, a 457(b) plan, or an IRA, those funds will be credited to the "other contribution" component of your individual account. Done correctly, transfers and rollovers involve no income tax or penalty taxes. Be sure to consult your tax advisor.

Funds you have transferred or rolled over to your individual account, as well as any earnings, are immediately 100% vested.

### Employer Contribution Component

Employer contributions are credited to the "employer contribution" component of your individual account. Once you have 5 years of membership service, you are vested in all employer contributions credited to your individual account, as well as any earnings from those contributions.

**You forfeit all employer contributions and any earnings** on those contributions if you terminate your PERS covered employment or die **before attaining 5 years of membership service.** Forfeited employer contributions and their earnings will be used to pay administrative expenses.

A full month of membership service is earned for any hours reported to the PERS by a participant's employer during any given month, regardless of the number of hours. One hour reported in a month will result in one month of membership service.

**Remember:**

Your employee contributions and other contributions are always vested. Your employer contributions are forfeited if you terminate prior to 5 years of membership service.

## Funds Transferred

You are automatically a participant in the Defined **Benefit** Retirement Plan. You have 12 months from your date of hire to choose whether to remain in the Defined **Benefit** Retirement Plan or transfer to the Defined **Contribution** Retirement Plan. If you choose the Defined **Contribution** Retirement Plan, the following funds will transfer into your individual account.

### Transfers to Employee Contribution Component

- The amount transferred will equal the contributions you have made to the Defined **Benefit** Retirement Plan since you were hired.
- You will receive 8% interest compounded annually on these contributions.

### Transfers to the Employer Contribution Component

- The amount transferred will equal 4.19% of the contributions your employer has made to the Defined **Benefit** Retirement Plan since you were hired.
- You will also receive 8% interest compounded annually on those contributions.

You will not be guaranteed an 8% return on your funds once they are transferred to your individual account. Transferred funds will automatically be placed in the balanced fund investment option and earn the rate of return of that fund. **It is your responsibility to direct your funds from the balanced investment option to any or all of the available investment options.** Future earnings will depend on the performance of the investment options you select.

## Plan Examples

Remember, your Defined **Contribution** Retirement Plan specifies the amount that **goes into** your account. Your individual account will grow over time depending on the following:

- Contributions
- Earnings (either positive or negative)
- Length of time invested

### Example 1: Matt

- 40 years of age
- Expects to retire in 20 years at age 60
- $3,000 monthly compensation
  (remains constant throughout career)
- Matt/Employer contributions equal 11.09% of compensation
- Annual contribution to individual account is approximately $3,992

Matt's account balance in 20 years will be determined by his annual rate of return. The following table illustrates how different rates of return affect Matt's account balance over 20 years:

| Time Invested | Rate of Return | Account Balance |
|---|---|---|
| 20 years | 10% | $228,642 |
| 20 years | 8% | $182,682 |
| 20 years | 6% | $146,848 |
| 20 years | 4% | $118,874 |

## Example 2: Peyton

- 25 years of age
- Expects to retire in 30 years at age 55
- $3,000 monthly compensation
  (remains constant throughout career)
- Peyton/Employer contributions equal 11.09% of compensation
- Annual contribution to individual account is approximately $3,992

Peyton's account balance in 30 years will be determined by his annual rate of return. The following table illustrates how different rates of return affect Peyton's account balance over 30 years:

| Time Invested | Rate of Return | Account Balance |
|---|---|---|
| 30 years | 10% | $656,660 |
| 30 years | 8% | $452,227 |
| 30 years | 6% | $315,600 |
| 30 years | 4% | $223,891 |

*Note: See how a greater length of time invested increased Peyton's account balance as compared to Matt's!*

## Example 3: Parker

- Began PERS covered employment at 25 years of age
- Terminated PERS covered employment at age 35 (contributions stopped)
- Contributions remained on account until age 55
- $3,000 monthly compensation (during 10 year employment)
- Parker/Employer contributions equaled 11.09% of compensation
- Annual contribution to individual account was approximately $3,992

Parker's account balance after 30 years is determined by his annual rate of return. The following table illustrates how different rates of return affected Parker's account balance over 30 years:

| Time Invested | Rate of Return | Account Balance |
|---|---|---|
| 30 years | 10% | $428,018 |
| 30 years | 8% | $269,548 |
| 30 years | 6% | $168,750 |
| 30 years | 4% | $105,016 |

*Note: See how Parker's invested account balance continued to grow even without additional contributions!*

# Plan Features

Your Defined **Contribution** Retirement Plan has numerous features. These include:

- **Managing Your Individual Account**
  - **Investment Options**
  - **Fees and Charges**
- **Payment Options**
- **Death Benefits**
- **Disability Benefits**

# Managing Your Individual Account

You will be actively involved in investing and managing your individual account, including the following activities:

## Investment Options

- **Choosing Your Investment Options**

  You will choose your investment options from among those offered within the plan. You will be able to invest in one, several, or any number of the available investment options. Your investment options range from conservative to aggressive.

  Mutual funds in the following asset classes and categories are offered to ensure you can diversify your investments.

| Large Cap | Mid Cap | Small Cap |
|---|---|---|
| Core | | |
| Value | Value | Value |
| Blend | | Blend |
| Growth | Growth | Growth |

| World Stock | Other |
|---|---|
| Global | Balanced |
| International | Bond Index |
| EAFE Index* | |

*Europe, Australasia, Far East

In addition to mutual funds, a stable value/fixed fund is available. The stable value/fixed fund guarantees both principal and a rate of return. Mutual funds do not guarantee either principal or rate of return.

Specific information on the investment options is available from Great West Retirement Services (Great West), the contracted record keeper at:

Key Talk: 1-877-699-4015
Web Site: https://mperadcplans.gwrs.com

Annually, the Employee Investment Advisory Council (EIAC) and the Public Employees' Retirement Board (the Board) review each investment option to ensure it continues to meet performance standards and criteria in the Board's adopted investment policy statement. The annual review may result in changes in the available investment options. You will be notified of the results from each annual review.

- **Changing Your Investment Options**

  Generally, there is no limit on the number of times you may change your investment options. However, specific investment houses may impose defined trading restrictions to help manage their cash flow. Any restrictions will be in the individual fund prospectus.

  Great West will provide instructions on how to select investment options.

- **Reviewing Quarterly Statements**

  Great West will provide quarterly individual account statements. Reviewing your quarterly statement on a regular basis is a good habit to develop. Regular reviews will quickly bring you up to date on your investments' performance and allow you to monitor and adjust your investment strategy.

## Fees and Charges

You are responsible for two types of fees and charges: **Administrative Costs** and **Investment Management Fees**.

- **Administrative Costs:**

  **Record Keeping Administrative Charges**

  Great West charges a fee for their recordkeeping services. This charge is no more than $73 per year ($18.25 per quarter). It will be deducted directly from your individual account.

  **MPERA Administrative Charges**

  MPERA charges an asset based fee for their administrative services. This charge is currently 0.50% of your account balance **per year** and will be deducted quarterly (0.125% per quarter) from your individual account. This charge is currently capped at $300 per year.

  The MPERA administrative charges are regularly reviewed by the Board and may change.

- **Investment Management Fees:**

  Each investment option charges for its expenses and investment management fees. These charges are deducted before investment returns are credited to your account. All expenses and management fees are shown as "expense ratios" in each investment option's prospectus.

# Payment Options

You or your beneficiaries have access to the vested components of your individual account when you:

- Terminate your PERS covered employment
- Retire
- Die

You may take a lump sum or use your account balance to provide periodic payments for your retirement income. Income tax must be paid on any amount you withdraw from your individual account. This is the same tax paid on wages, interest or dividends.

Your beneficiaries will receive any remaining balance in the vested components of your individual account when you die.

- **Lump Sum Payment**

  You may take your entire vested account balance as a single payment subject to income tax regulations.

  In addition to income tax, a 10% penalty tax applies to lump sum distributions taken from tax deferred accounts prior to age 59 1/2.

- **Periodic Payments**

  You have a number of periodic payment options for your vested account balance, including:

  - **Fixed Amount**

    The fixed amount option will provide a fixed payment from your account until it is exhausted. You may change your fixed payment amount once per year.

  - **Life Expectancy**

    The life expectancy option will provide the largest payment possible calculated to last your expected life. Each year your life expectancy is recalculated and the payment amount adjusted accordingly.

  - **Flexible Combination - Your Choice**

    You may request a combination of periodic payments to meet your individual needs. Example: You can receive a $5,000 lump sum in January and receive $500 per month for the remainder of the year.

- **Continued Tax Deferral**

  You may also continue to shelter your contributions and earnings from taxation by leaving your money in the Defined **Contribution** Retirement Plan, if vested, or by transferring or rolling your money to an Individual Retirement Account (IRA) or other eligible retirement plan.

- **Purchase of Annuity**

  Because you will "own" your vested account balance, at retirement you may use it to purchase an annuity from an insurance company.

You are encouraged to consult with your tax or financial advisor when choosing your payment option to ensure the option best meets your personal needs.

## Death Benefits

The rules regarding death benefits vary depending on whether you die before or after your payments begin, and whether your payments were annuitized. "Annuitized" means that your payments were calculated to exhaust your account balance over your life expectancy.

If you die **after** payments have begun, your beneficiaries will generally receive the balance of your vested account or continuing payments under an annuity contract.

If you die **before** payments have begun, the rules regarding payments differ depending on whether or not your beneficiary was your spouse.

- **Spouse as Beneficiary**

  Your spouse may:

  - Take lump sum distribution.
  - Begin periodic distributions.
  - Roll your account balance over to his or her IRA or eligible retirement plan

    OR

  - Delay distributions until you would have been age 70 1/2, then receive payment over his or her lifetime.

- **Non-Spouse as Beneficiary**

  Your non-spouse beneficiary may receive benefits in compliance with applicable federal and state law; including periodic payments or the lump sum payout or rollover of your account balance.

**Remember:**

Keep your beneficiary information up to date. You can update your beneficiary information by completing a PERS membership card and submitting it to your payroll clerk. Your payroll clerk must forward the membership card to the MPERA.

## Your Disability Benefits

The Defined **Contribution** Retirement Plan has a disability benefit provision for vested participants. You must apply to the Board to receive disability benefits from the Long Term Disability Trust Fund. The Trust Fund is funded by the 0.30% allocation from employer contributions.

Once the Board determines you are disabled, you must terminate employment before your benefit payments may begin. When you start receiving your disability benefits, you may be subject to on-going medical reviews to document your continued disability status. Subject to these medical reviews, disability payments from the Trust Fund may continue until age 65, at which time payments cease and you may begin to receive distributions from your individual account.

You may choose to access your individual account instead of applying for and receiving a disability benefit. You may not receive a benefit from both the Long Term Disability Trust Fund and your individual account at the same time.

The best plan for a particular employee depends on personal and financial circumstances. The choice is yours.

If you would like more detailed information regarding your **Defined Contribution Retirement Plan** you may access the PERS DCRP Plan Document from the MPERA website at http://mpera.mt.gov

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December 2006

# MPERA

R E T I R E M E N T  P L A N

# Montana University System (MUS)
# Optional Retirement Program Basics

The information in this publication is based on 2005 law and is subject to future legislative changes.

## Comparison Chart

### Differences Between the ORP and the PERS Defined Contribution Retirement Plan

The ORP and the PERS Defined Contribution Retirement Plans are similar because they are both defined contribution plans. There are key differences between the plans, shown in the comparison chart.

| Feature | Optional Retirement Program | PERS Defined Contribution Retirement Plan |
|---|---|---|
| Vesting on Employer Contributions | Immediate.<br>Depending on age and account balance, distributions of employer contributions may be restricted. | 5 Years |
| Allocation of Employer Contributions | Total Contributions = 7.035%<br>Less<br>Plan Choice Rate - 2.505%<br>Education Fund - 0.04%<br>Participant Account 4.49% | Total Contribution = 7.035%<br>Less<br>Plan Choice Rate - 2.505%<br>Education Fund - 0.04%<br>Disability Plan - 0.30%<br>Participant Account 4.19% |
| Long Term Disability Plan | Not available through ORP.<br>Is available as part of the Montana University System *Choices* benefits program. | Component of the Plan |
| Administrative Costs | Taken from quarterly returns on investments, and averaging between .25% and .40% of assets. For example, on a $10,000 account balance, cost would average between $100-$160 per year. | Recordkeeping fee is $57 per year-deducted quarterly ($14.25/quarter) from participant accounts. MPERA administrative costs are .125% quarterly. For example, on a $10,000 account balance, cost would be $50 per year. |
| Investment Options | Selection of variable annuity products. Variable annuities do not guarantee principal or return.<br><br>Traditional fixed annuity product guarantees principal **and** return. | Selection of retail and institutional mutual funds. These funds do not guarantee principal or return.<br><br>Stable value product guarantees principal **and** return. |

## Your Retirement Plan Choice 1 •

**Employees of the Montana University System who are new or rehired members of the PERS may elect to:**

- Remain in the PERS Defined Benefit Retirement Plan (see Defined Benefit Retirement Plan Basic pamphlet);
- Transfer to the PERS Defined Contribution Retirement Plan (see Defined contribution Retirement Plan Basics pamphlet) or
- Transfer to the Montanan Universtiy System's Optional Retirement Program (ORP)

# • 2 Optional Retirement Program: Basics

The Montana University System's Optional Retirement Program (ORP) is a defined contribution plan. This means that, similar to the PERS Defined Contribution Retirement Plan, the ORP does not specify a benefit in retirement. Instead, it specifies how much is contributed to the retirement account. The retirement account will grow over time depending on:

- **How much is contributed to the account,**
- **How long the money remains invested, and**
- **The rate of return earned over that time period.**

The ORP participant invests contributions in selected investment options. The participant assumes all investment risk, but is also entitled to all investment returns.

Please see the Defined Contribution Retirement Plan Basics pamphlet for illustrations on how defined contribution plan accounts can accumulate.

The Montana Board of Regents administers the ORP under Montana law and has contracted with TIAA-CREF (Teachers Insurance and Annuity Association-College Retirement Equities Fund) as plan provider.

# Comparison Chart 3 •

## Differences Between the ORP and the PERS Defined Contribution Retirement Plan

The ORP and the PERS Defined Contribution Retirement Plans are similar because they are both defined contribution plans. There are key differences between the plans, shown in the comparison chart.

| Feature | Optional Retirement Program | PERS Defined Contribution Retirement Plan |
|---|---|---|
| Vesting on Employer Contributions | Immediate.<br>Depending on age and account balance, distributions of employer contributions may be restricted. | 5 Years |
| Allocation of Employer Contributions | Total Contributions = 6.9%<br>Less<br>Plan Choice Rate -2.37%<br>Education Fund -0.04%<br><br>Participant Account 4.49% | Total Contribution = 6.9%<br>Less<br>Plan Choice Rate - 2.37%<br>Education Fund -0.04%<br>Disability Plan -0.30%<br>Participant Account 4.19% |
| Long Term Disability Plan | Not available through ORP.<br>Is available as part of the Montana University System *Choices* benefits program. | Component of the Plan |
| Administrative Costs | Taken from quarterly returns on investments, and averaging between .25% and .40% of assets. For example, on a $10,000 account balance, cost would average between $100-$160 per year. | Recordkeeping fee is $73 per year-deducted quarterly ($18.25/quarter) from participant accounts. MPERA administrative costs are .1875% quarterly. For example, on a $10,000 account balance, cost would be $75 per year. |
| Investment Options | Selection of variable annuity products. Variable annuities do not guarantee principal or return.<br><br>Traditional fixed annuity product guarantees principal **and** return. | Selection of retail and institutional mutual funds. These funds do not guarantee principal or return.<br><br>Stable value product guarantees principal **and** return. |

# • 4 Frequently Asked Questions

## ORP/PERS Defined Contribution Retirement Plan Frequently Asked Questions

### Can I belong to both the ORP and one of the PERS retirement plans?

No, as a Montana University System employee only, you may not simultaneously be a participant of more than one retirement plan. You must be a participant of the Defined Benefit Retirement Plan, the Defined Contribution Retirement Plan or the Optional Retirement Program.

### If I elect the ORP, what amount will transfer from the PERS?

The amount that will transfer is:

- the contributions you have made to the PERS since you were hired plus 8% interest compounded annually.
- 4.49% of the contributions your employer has made to the PERS since you were hired plus 8% interest compounded annually.

# Frequently Asked Questions 5 •

Frequently asked Questions

## How do I elect the ORP?

You choose the Optional Retirement Program by completing the Montana University System "Retirement Plan Choice Election Form", signing it and filing it with the MPERA. The Election Form can be found at the back of the worksheets.

Do not file the Retirement Plan Choice Election Form with your campus payroll personnel. An ORP election filed with your campus payroll personnel is not valid. Upon receipt of your ORP election, the MPERA will coordinate university system employee elections and transfer of funds with the appropriate personnel within the Montana University System.

## What happens to my rights under the PERS if I elect the ORP?

As a Montana University System employee only, if you elect the ORP, you waive all rights and benefits under PERS.

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# SPECIAL NOTICE TO
# **NEW AND REHIRED MEMBERS**
# OF THE
# MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

As a new or rehired PERS member, you have twelve months from your date of hire – as reported by your employer to the Montana Public Employee Retirement Administration (MPERA) – to file a retirement plan election. You have the opportunity to choose between:

- ➔ the Defined Benefit Retirement Plan (DBRP) or
- ➔ the Defined Contribution Retirement Plan (DCRP).

Once you file a retirement plan choice, your choice is irrevocable.

To assist you with your retirement plan choice, the MPERA provides the following "tools":

| | Tool | Description/Purpose |
|---|---|---|
| - | Plan Basics | General overview of each Plan. |
| - | Workbook | Worksheets to project income needs and compare needs to projected Plan benefits. |
| - | Workshops | Approximately 90 minutes with an MPERA training specialist explaining the two Plans. |

*These tools are included in this mailing. The workshop schedule is for the current quarter. As new workshops are scheduled, they are posted at the MPERA website. Attending a workshop will increase your understanding of the Plans and your ability to make the best choice for your personal circumstances.*

| | Tool | Description/Purpose |
|---|---|---|
| - | Website | www.mpera.mt.gov<br>The website contains more detail about the Plans such as: statutes, administrative rules, Plan documents. It also has a link to over 100 savings and retirement calculators |
| - | MPERA Staff | 1-877-275-7372 or 444-3154; if you have questions after reviewing the provided information, call! |

A PERS Retirement Plan Election form can be found in the back of the Workbook. You must file your election, directly, either by mailing or hand delivering, with MPERA. Giving your election to your employer or payroll personnel does not constitute filing with the MPERA. Until you file your election you are a participant of the DBRP. If you do not file an election you will remain a participant of the DBRP. Once filed, your election is irrevocable.

# Montana Public Employee Retirement Administration

## DECISION MODELING WORKSHEETS

## The Choice is Yours, The Time is Now!

The Montana Public Employee Retirement Administration (MPERA) is providing the following information and worksheets, as an educational tool, to help you make your decision:

## Defined Benefit Retirement Plan
Or
## Defined Contribution Retirement Plan

Disclaimer

This publication is a reliable educational tool for PERS members who are evaluating the PERS Defined Benefit and Defined Contribution Retirement Plans. It is intended to provide a general idea of possible benefits under the plans to assist PERS members in making their retirement plan election. This publication agrees with applicable laws and rules as they exist at the time of publication. HOWEVER, THIS PUBLICATION SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. If any information in this publication conflicts with the PER Board's interpretation of laws or rules, the law or rules will apply.

The information and analysis contained herein are based on PROJECTED compensation increases, investment returns and inflation rates. The projections are estimates only and may not reflect actual results. The tables in Appendix A are standard financial tables accepted by the industry and provided to the MPERA by Educational Technologies, Inc. Neither the MPERA nor the PER Board provide professional financial or tax-related services. Members should compare the two PERS plans based on their personal situations, and are encouraged to consult with a financial planner, attorney and/or tax advisor as needed.

Permission is granted to reproduce, copy, or duplicate the information in this publication for use by others while making their PERS retirement plan decision, provided credit is given to the MPERA. Reproduction for personal use by members is not only permitted, but encouraged.

Members are also encouraged to use the on-line calculator at http://MPERA.mt.gov/

## Purpose

The following information and worksheets are designed to let you compare the Public Employees' Retirement System (PERS) plans. These worksheets will allow you to compare your projected retirement income from the two plans. You will be able to:

- Project your estimated retirement income from the Defined Benefit Retirement Plan
- Project your Defined Contribution Retirement Plan balance and the estimated income that could be produced from that balance

Some members in the PERS will prefer to remain in the Defined Benefit Retirement Plan (DBRP) while others will see an advantage in transferring to the Defined Contribution Retirement Plan (DCRP). Only you can make this decision.

## Overview

Rarely, if ever, will the benefit from either PERS retirement plan fully meet retirement income needs. The PERS plans are one leg of what is generally known as the "three-legged retirement stool". The three legs are:

- Employer Pension Plan – your PERS plan
  The worksheets on pages 5 and 6 will help you project the potential benefit from each PERS plan
- Social Security
  The worksheet on page 8 will help you determine potential retirement income by adding Social Security income and projected PERS income
- Personal Assets and Savings
  Only you know or can manage your personal savings and assets. Options for enhancing your personal savings and assets are briefly discussed on page 9

To project the potential benefits for each PERS retirement plan and make your retirement plan choice, you may wish to take the following steps:

1. Review the DBRP and DCRP Basics – refer to booklets
2. Determine Retirement Income Needs – worksheet 1
3. Project Income from both PERS Retirement Plans – worksheets 2 and 3
4. Compare Retirement Income Needs to Projected PERS Income – worksheet 4
5. Decide Which PERS Plan Best Meets Your Needs – File Your Election

Helping you project potential benefits from each PERS retirement plan is the *primary focus and purpose* of this information and worksheets. Understanding the potential benefit from each plan will help you make your retirement plan choice.

As you make your PERS retirement plan choice or engage in additional retirement planning, you should also consider your individual circumstances. Some questions you may consider are:

What are your expectations about:

- How long you will work in a PERS-covered position?
- Inflation?
- Tax rates?
- Interest rates?
- The stock market?

What are your timeframes:

- When will you begin drawing your PERS income?
- How long will you need PERS income?
- When will you begin drawing Social Security income?

How knowledgeable are you about investing:

- How much do you know about investing?
- Would you tolerate a negative return?
- Can you tolerate a 0% return in one year and a 25% return in another year?
- How important is the rate of return?

What are your individual circumstances:

- Do you have other income?
- Do you need stable/fixed monthly income or more flexible income?
- Are you married?
- Does your spouse work and have a retirement plan?
- Do you have dependent children?
- How is your health?
- What is your desired retirement lifestyle?

## Additional Planning

Social Security and Personal Assets and Savings, the other two legs of the retirement stool, are briefly discussed on pages 8 and 9. Additional retirement planning to help ensure you have sufficient retirement income is encouraged.

You may wish to consult with a financial advisor to address the "three legs of the retirement stool" and your individual circumstances in a complete retirement plan.

## Determine Retirement Income Needs
### Worksheet 1

The core of retirement planning can be summarized in a relatively simple way:

- How much income will you need in retirement?
- Will your retirement income meet your needs?
- How much income is supplied from various sources?

Financial planners often suggest that 70% - 80% of your pre-retirement gross income is needed in retirement to maintain the same standard of living. Only you can determine what you need.

The worksheet below can help you project the amount of income you will need at retirement. The chart adjusts your projected retirement income for inflation by using Table 1, found in Appendix A.

Worksheet 1

| | Example | Your Planning |
|---|---|---|
| Current Monthly Income | $2,000 | |
| Retirement Income Goal | 80% | |
| Dollar Goal (Today's $) | $1,600 | |
| Years Until Retirement | 16 | |
| Inflation Assumption | 3% | |
| Factor from Table 1 | 1.60 | |
| Projected Monthly Retirement Income Need (adjusted for inflation) | $1,600 X 1.60 = $2,560 | |

** Factors are rounded, and will produce approximate results.*

The Projected Monthly Retirement Income calculated above is the amount of monthly income you believe you will need in the first month of retirement. Remember your retirement income needs may change through your retirement years.

**NOTE:**

It may be beneficial to calculate different scenarios using varying assumptions in each worksheet.

This will allow you to fully explore options and make the best decision based on many possible circumstances.

## Project Income from Both PERS Retirement Plans

Two examples are provided with each worksheet:

- Example 1 is an employee who starts at age 25, quits at age 40 and draws benefits at age 55
- Example 2 is an employee who starts at age 25 and works until drawing benefits at age 55
- In both examples, initial monthly compensation is $2,000

### Defined **Contribution** Retirement Plan – Worksheet 2

The worksheet below can help you calculate the potential income available from the Defined Contribution Retirement Plan. You will need to use Tables 1, 2 and 3, found in Appendix A. You may wish to calculate the potential income several times and change the following assumptions:

- Expected Investment Return
- Compensation Increases
- Number of Years until Retirement
- Years in Retirement

Worksheet 2

| | Example 1 | Example 2 | Your Planning |
|---|---|---|---|
| Ongoing Monthly Deposits: (Assume 11% of Gross Pay) | $2,000 X 11% = $220 | $2,000 X 11% = $220 | |
| Annual Contributions | $220 X 12 = $2,640 | $220 X 12 = $2,640 | |
| *Expected Rate of Return (7%) & Compensation Increases (2%) | 9% (total) | 9% (total) | |
| Working Years | 15 | 30 | |
| Factor From Table 2 | 29.36 | 136.31 | |
| Projected Account Balance at End of Working Years | $2,640 X 29.36 = $77,510 | $2,640 X 136.31 = $359,858 | |
| Rate of Return | 7% | N/A | |
| Years Before Using Account | 15 | | |
| Factor from Table 1 | 2.76 | N/A | |
| Projected Account Balance At Age 55 | $77,510 X 2.76 = $213,928 | Same as above $359,858 | |
| Rate of Return | 5% | 5% | |
| Years Retired & Using Account | 30 | 30 | |
| Factor from Table 3 | .0053 | .0053 | |
| Initial Projected Monthly Income from Projected Account Balance | $213,928 X .0053 = $1,133 | $359,858 X .0053 = $1,907 | |

**Expected "Rate of Return" is 7% and expected "Compensation Increases" is 2%. You may wish to adjust either or both, thus changing the total factor of 9%.*

# Project Income from Both PERS Retirement Plans
Continued

## Defined **Benefit** Retirement Plan – Worksheet 3

The worksheet below can help you calculate the potential income available from the Defined Benefit Retirement Plan. You will need to use Table 4, found in Appendix A. You may wish to calculate the potential income several times and change the following assumptions:

- Years of Service Credit and Membership Service at Retirement
- Compensation Increases resulting in Highest Average Compensation
- Years until Retirement

Both of the following examples assume Years of Service Credit and Membership Service are the same. They may not be the same in your planning.

Worksheet 3

| | Example 1 | Example 2 | Your Planning |
|---|---|---|---|
| Years of Service Credit and Membership Service At End of Working Years | 15 years | 30 years | |
| Multiplier:<br>If < than 25 years of Membership Service: .017857<br>If = or > than 25 years of Membership Service: .02 | .017857 | .02 | |
| Current Monthly Compensation | $2,000 | $2,000 | |
| Anticipated Compensation Increases and Years Working | 2%<br>15 | 2%<br>30 | |
| Factor from Table 4<br>(to determine Highest Average Compensation) | 1.307 | 1.758 | |
| Projected Highest Average Compensation | $2,000 X 1.307<br>= $2,614 | $2,000 X 1.758<br>= $3,516 | |
| Initial Projected Monthly Benefit Life Only Income at Retirement<br><br>Multiplier X Years of Service Credit X Highest Average Compensation | .017857 X<br>15 X<br>$2,614<br><br>= $700 | .0200 X<br>30 X<br>$3,516<br><br>= $2,109 | |
| Early Retirement Reduction Factor, if full Service Retirement is not reached (See the Early Retirement Factor Table on page 5 of DBRP Basics Booklet) | .700<br>30 years is full Service Retirement | N/A<br>30 years is full Service Retirement | |
| Life Only Income Reduced for Early Retirement<br>Initial Projected Amount | $700 X<br>.700<br>= $490 | N/A | |

## Compare Anticipated Retirement Income Needs to Projected PERS Income

Worksheet 4

The worksheet below can help you determine:

- The portion of anticipated retirement income needs that are met by each PERS retirement plan
- Which PERS retirement plan may work best for you

Worksheet 4

| | DCRP Income Example 1 | DBRP Income Example 1 | DCRP Income Example 2 | DBRP Income Example 2 | Your Planning |
|---|---|---|---|---|---|
| Projected Monthly Retirement Income Need (from worksheet 1) | $2,560 | $2,560 | $2,560 | $2,560 | |
| Projected PERS Income (from worksheets 2 & 3) | $1,133 | $490 | $1,907 | $2,109 | |
| Retirement Income Shortage or Surplus | -$1,427 | -$2,070 | -$653 | -$451 | |

As you may determine from Worksheet 4, PERS retirement income may not fully meet your projected retirement income needs. You may need the other two legs of the three-legged retirement stool for sufficient retirement income.

The calculations and information provided to this point may be adequate for you to make your PERS retirement plan choice.

If so, refer to page 10 for instructions on filing your PERS retirement plan election.

You may wish to review the following two pages regarding the last two legs of the retirement stool:

- Social Security Income
- Personal Assets and Savings

Note: Helping you project potential benefits from each PERS retirement plan is the ***primary focus and purpose*** of this information and worksheets. The following information regarding Social Security and Personal Assets and Savings is brief and introductory.

You may wish to consult with a financial advisor to address the three legs of the retirement stool and your individual circumstances in a complete retirement plan.

## Social Security Income
### Worksheet 5

The worksheet below can help you add projected Social Security income to your projected PERS income. This will help you determine if these two income sources – or two legs of the three-legged retirement stool – may provide sufficient retirement income.

You will need specific information from Social Security to complete the following worksheet. You can receive Social Security estimates from your annual Social Security statement or by contacting the Social Security Administration at:

- Their website, *www.socialsecurity.gov*
- (800) 772-1213

Your annual Social Security statement provides estimated benefits at:

- Your earliest eligible age
- Your full retirement age

The worksheet and examples below assume a combined PERS and Social Security income at your full retirement age for Social Security. However, if – for example – you retire and draw your PERS retirement plan benefit at age 55, but are not eligible to draw a Social Security benefit until age 65, you will need to determine how to fill the income "gap" in the years between age 55 and 65.

Worksheet 5 - at full retirement age for Social Security

| | DCRP Income Example 1 | DBRP Income Example 1 | DCRP Income Example 2 | DBRP Income Example 2 | Your Planning |
|---|---|---|---|---|---|
| Projected Social Security Income (from Social Security Statement) | $1,081 | $1,081 | $1,081 | $1,081 | |
| Projected PERS Income (from worksheets 2 & 3) | $1,133 | $490 | $1,907 | $2,109 | |
| Total Projected Retirement Income | $2,214 | $1,571 | $2,988 | $3,190 | |
| Projected Monthly Retirement Income Need (from worksheet 1) | $2,560 | $2,560 | $2,560 | $2,560 | |
| Retirement Income Shortage or Surplus | -$346 | -$989 | +$428 | +$630 | |

You may wish to calculate your combined PERS and Social Security Income at your earliest eligible age for Social Security also.

## Personal Assets and Savings

As you've worked through the previous worksheets and calculations, you may have discovered the potential for:

- A time gap between your PERS retirement age and your eligible age to draw Social Security
- A projected income gap between your combined PERS and Social Security income and your retirement income needs

Some methods to fill these gaps are:

- Delay your retirement
- Reduce your retirement income goal (needs)
- Work during retirement (part-time or periodically)
- Use other retirement plans you may have
- Use personal assets and savings

If you decide delaying retirement, reducing your retirement income needs, or working in retirement is not desirable, using or building personal assets and savings is the remaining option. There are a number of different ways to build personal assets and savings. Depending on your employer, you may have access to tax-advantaged retirement savings programs such as:

- Section 403(b) Tax Sheltered Annuities
- Section 457 Deferred Compensation Plans
- Section 408 Plans (Traditional or Roth IRAs)

You may wish to explore the availability of these options with your employer. You may also invest in regular (taxed) savings and investment plans.

To start building sufficient personal assets and savings, you may wish to:

- Determine how much you currently have in personal assets and savings
- Determine if your current personal assets and savings will grow sufficiently to fill your retirement income gaps
- Determine how much additional savings you will need to fill anticipated income gaps

Full financial planning is not the purpose or intent of this information. You may wish to consult with a financial planner or use other resources such as reliable books or internet sites to assist in planning your personal assets and savings growth.

## Filing Your PERS Retirement Plan Election

You have 12 months from your date of hire – as reported to the Montana Public Employee Retirement Administration (MPERA) by your employer – to file your PERS retirement plan election with the MPERA.

Filing your retirement plan election with the MPERA means:

- You complete and sign the PERS Retirement Plan Election form, found in Appendix B AND
- You directly mail or hand deliver your completed election form before the end of your 12-month election window to:

The Montana Public Employee Retirement Administration
PO Box 200131
Helena MT 59620-0131

Turning your election into your employer or payroll personnel does not constitute filing with the MPERA.

Your retirement plan election is irrevocable. If you do not file a retirement plan election by the end of your 12-month election window, by statute, you will "default" to the PERS Defined Benefit Retirement Plan.

We strongly encourage you to make an actual election. This will ensure you are in the retirement plan you have determined best meets your personal and individual needs.

### Retirement Plan Choice Workshops

The MPERA provides Retirement Plan Choice workshops at different locations across the state on a quarterly basis. Refer to the quarterly schedule in this packet or check the MPERA website at http://mpera.mt.gov.

The Retirement Plan Choice Workshops are intended to supplement this material. They also provide the opportunity to ask questions in either the group setting or one-on-one with the instructor after the workshops.

You may also call the MPERA at 1-877-275-7372, toll-free or in Helena, 444-3154 if you have questions or need assistance.

# Appendix A

## Tables Used in Worksheets

### Table 1

Used in Worksheets 1 and 2

### Table 2

Used in Worksheet 2

### Table 3

Used in Worksheet 2

### Table 4

Used in Worksheet 3

## Table 1 - used in Worksheets 1 and 2

| Years | Inflation Rate or Rate of Return Factors for Single Amount | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% |
| 1 | 1.02 | 1.03 | 1.04 | 1.05 | 1.06 | 1.07 | 1.08 | 1.09 | 1.10 | 1.11 | 1.12 |
| 2 | 1.04 | 1.06 | 1.08 | 1.10 | 1.12 | 1.14 | 1.17 | 1.19 | 1.21 | 1.23 | 1.25 |
| 3 | 1.06 | 1.09 | 1.12 | 1.16 | 1.19 | 1.23 | 1.26 | 1.30 | 1.33 | 1.37 | 1.40 |
| 4 | 1.08 | 1.13 | 1.17 | 1.22 | 1.26 | 1.31 | 1.36 | 1.41 | 1.46 | 1.52 | 1.57 |
| 5 | 1.10 | 1.16 | 1.22 | 1.28 | 1.34 | 1.40 | 1.47 | 1.54 | 1.61 | 1.69 | 1.76 |
| 6 | 1.13 | 1.19 | 1.27 | 1.34 | 1.42 | 1.50 | 1.59 | 1.68 | 1.77 | 1.87 | 1.97 |
| 7 | 1.15 | 1.23 | 1.32 | 1.41 | 1.50 | 1.61 | 1.71 | 1.83 | 1.95 | 2.08 | 2.21 |
| 8 | 1.17 | 1.27 | 1.37 | 1.48 | 1.59 | 1.72 | 1.85 | 1.99 | 2.14 | 2.30 | 2.48 |
| 9 | 1.20 | 1.30 | 1.42 | 1.55 | 1.69 | 1.84 | 2.00 | 2.17 | 2.39 | 2.56 | 2.77 |
| 10 | 1.22 | 1.34 | 1.48 | 1.63 | 1.79 | 1.97 | 2.16 | 2.37 | 2.59 | 2.84 | 3.11 |
| 11 | 1.24 | 1.38 | 1.54 | 1.71 | 1.90 | 2.10 | 2.33 | 2.58 | 2.85 | 3.15 | 3.48 |
| 12 | 1.27 | 1.43 | 1.60 | 1.80 | 2.01 | 2.25 | 2.52 | 2.81 | 3.14 | 3.50 | 3.90 |
| 13 | 1.29 | 1.47 | 1.67 | 1.89 | 2.13 | 2.41 | 2.72 | 3.07 | 3.45 | 3.88 | 4.36 |
| 14 | 1.32 | 1.51 | 1.73 | 1.98 | 2.26 | 2.58 | 2.94 | 3.34 | 3.80 | 4.31 | 4.89 |
| 15 | 1.35 | 1.56 | 1.80 | 2.08 | 2.40 | 2.76 | 3.17 | 3.64 | 4.18 | 4.78 | 5.47 |
| 16 | 1.37 | 1.60 | 1.87 | 2.18 | 2.54 | 2.95 | 3.43 | 3.97 | 4.59 | 5.31 | 6.13 |
| 17 | 1.40 | 1.65 | 1.95 | 2.29 | 2.69 | 3.16 | 3.70 | 4.33 | 5.05 | 5.90 | 6.87 |
| 18 | 1.43 | 1.70 | 2.03 | 2.41 | 2.85 | 3.38 | 4.00 | 4.72 | 5.56 | 6.54 | 7.69 |
| 19 | 1.46 | 1.75 | 2.11 | 2.53 | 3.03 | 3.62 | 4.32 | 5.14 | 6.12 | 7.26 | 8.61 |
| 20 | 1.49 | 1.81 | 2.19 | 2.65 | 3.21 | 3.87 | 4.66 | 5.60 | 6.73 | 8.06 | 9.65 |
| 21 | 1.52 | 1.86 | 2.28 | 2.79 | 3.40 | 4.14 | 5.03 | 6.11 | 7.40 | 8.95 | 10.80 |
| 22 | 1.55 | 1.92 | 2.37 | 2.93 | 3.60 | 4.43 | 5.44 | 6.66 | 8.14 | 9.93 | 12.10 |
| 23 | 1.58 | 1.97 | 2.46 | 3.07 | 3.82 | 4.74 | 5.87 | 7.26 | 8.95 | 11.03 | 13.55 |
| 24 | 1.61 | 2.03 | 2.56 | 3.23 | 4.05 | 5.07 | 6.34 | 7.91 | 9.85 | 12.24 | 15.18 |
| 25 | 1.64 | 2.09 | 2.67 | 3.39 | 4.29 | 5.43 | 6.85 | 8.62 | 10.83 | 13.59 | 17.00 |
| 26 | 1.67 | 2.16 | 2.77 | 3.56 | 4.55 | 5.81 | 7.40 | 9.40 | 11.92 | 15.08 | 19.04 |
| 27 | 1.71 | 2.22 | 2.88 | 3.73 | 4.82 | 6.21 | 7.99 | 10.25 | 13.11 | 16.74 | 21.32 |
| 28 | 1.74 | 2.29 | 3.00 | 3.92 | 5.11 | 6.65 | 8.63 | 11.17 | 14.42 | 18.58 | 23.88 |
| 29 | 1.78 | 2.36 | 3.12 | 4.12 | 5.42 | 7.11 | 9.32 | 12.17 | 15.86 | 20.62 | 26.75 |
| 30 | 1.81 | 2.43 | 3.24 | 4.32 | 5.74 | 7.61 | 10.06 | 13.27 | 17.45 | 22.89 | 29.96 |
| 31 | 1.85 | 2.50 | 3.37 | 4.54 | 6.09 | 8.15 | 10.87 | 14.46 | 19.19 | 25.41 | 33.56 |
| 32 | 1.88 | 2.58 | 3.51 | 4.76 | 6.45 | 8.72 | 11.74 | 15.76 | 21.11 | 28.21 | 37.58 |
| 33 | 1.92 | 2.65 | 3.65 | 5.00 | 6.84 | 9.33 | 12.68 | 17.18 | 23.23 | 31.31 | 42.09 |
| 34 | 1.96 | 2.73 | 3.79 | 5.25 | 7.25 | 9.98 | 13.69 | 18.73 | 25.55 | 34.75 | 47.14 |
| 35 | 2.00 | 2.81 | 3.95 | 5.52 | 7.69 | 10.68 | 14.79 | 20.41 | 28.10 | 38.57 | 52.80 |
| 36 | 2.04 | 2.90 | 4.10 | 5.79 | 8.15 | 11.42 | 15.97 | 22.25 | 30.91 | 42.82 | 59.14 |
| 37 | 2.08 | 2.99 | 4.27 | 6.08 | 8.64 | 12.22 | 17.25 | 24.25 | 34.00 | 47.53 | 66.23 |
| 38 | 2.12 | 3.07 | 4.44 | 6.39 | 9.15 | 13.08 | 18.63 | 26.44 | 37.40 | 52.76 | 74.18 |
| 39 | 2.16 | 3.17 | 4.62 | 6.70 | 9.70 | 13.99 | 20.12 | 28.82 | 41.14 | 58.56 | 83.08 |
| 40 | 2.21 | 3.26 | 4.80 | 7.04 | 10.29 | 14.97 | 21.72 | 31.41 | 45.26 | 65.00 | 93.05 |

## Table 2 - used in Worksheet 2

| Years | Rate of Return Factors for Series of Payments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 4% | 5% | 6% | 7% | 8% | 9% | 10% | 11% | 12% |
| 1 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 2 | 2.04 | 2.05 | 2.06 | 2.07 | 2.08 | 2.09 | 2.10 | 2.11 | 2.12 |
| 3 | 3.12 | 3.15 | 3.18 | 3.21 | 3.25 | 3.28 | 3.31 | 3.34 | 3.37 |
| 4 | 4.25 | 4.31 | 4.37 | 4.44 | 4.51 | 4.57 | 4.64 | 4.71 | 4.78 |
| 5 | 5.42 | 5.53 | 5.64 | 5.75 | 5.87 | 5.98 | 6.11 | 6.23 | 6.35 |
| 6 | 6.63 | 6.80 | 6.98 | 7.15 | 7.34 | 7.52 | 7.72 | 7.91 | 8.12 |
| 7 | 7.90 | 8.14 | 8.39 | 8.65 | 8.92 | 9.20 | 9.49 | 9.78 | 10.09 |
| 8 | 9.21 | 9.55 | 9.90 | 10.26 | 10.64 | 11.03 | 11.44 | 11.86 | 12.30 |
| 9 | 10.58 | 11.03 | 11.49 | 11.98 | 12.49 | 13.02 | 13.58 | 14.16 | 14.78 |
| 10 | 12.01 | 12.58 | 13.18 | 13.82 | 14.49 | 15.19 | 15.94 | 16.72 | 17.55 |
| 11 | 13.49 | 14.21 | 14.97 | 15.78 | 16.65 | 17.56 | 18.53 | 19.56 | 20.65 |
| 12 | 15.03 | 15.92 | 16.87 | 17.89 | 18.98 | 20.14 | 21.38 | 22.71 | 24.13 |
| 13 | 16.63 | 17.71 | 18.88 | 20.14 | 21.50 | 22.95 | 24.52 | 26.21 | 28.03 |
| 14 | 18.29 | 19.60 | 21.02 | 22.55 | 24.21 | 26.02 | 27.97 | 30.09 | 32.39 |
| 15 | 20.02 | 21.58 | 23.28 | 25.13 | 27.15 | 29.36 | 31.77 | 34.41 | 37.28 |
| 16 | 21.82 | 23.66 | 25.67 | 27.89 | 30.32 | 33.00 | 35.95 | 39.19 | 42.75 |
| 17 | 23.70 | 25.84 | 28.21 | 30.84 | 33.75 | 36.97 | 40.54 | 44.50 | 48.88 |
| 18 | 25.65 | 28.13 | 30.91 | 34.00 | 37.45 | 41.30 | 45.60 | 50.40 | 55.75 |
| 19 | 27.67 | 30.54 | 33.76 | 37.38 | 41.45 | 46.02 | 51.16 | 56.94 | 63.44 |
| 20 | 29.78 | 33.07 | 36.79 | 41.00 | 45.76 | 51.16 | 57.27 | 64.20 | 72.05 |
| 21 | 31.97 | 35.72 | 39.99 | 44.87 | 50.42 | 56.76 | 64.00 | 72.27 | 81.70 |
| 22 | 34.25 | 38.51 | 43.39 | 49.01 | 55.46 | 62.87 | 71.40 | 81.21 | 92.50 |
| 23 | 36.62 | 41.43 | 47.00 | 53.44 | 60.89 | 69.53 | 79.54 | 91.15 | 104.60 |
| 24 | 39.08 | 44.50 | 50.82 | 58.18 | 66.76 | 76.79 | 88.50 | 102.17 | 118.16 |
| 25 | 41.65 | 47.73 | 54.86 | 63.25 | 73.11 | 84.70 | 98.35 | 114.41 | 133.33 |
| 26 | 44.31 | 51.11 | 59.16 | 68.68 | 79.95 | 93.32 | 109.18 | 128.00 | 150.33 |
| 27 | 47.08 | 54.67 | 63.71 | 74.48 | 87.35 | 102.72 | 121.10 | 143.08 | 169.37 |
| 28 | 49.97 | 58.40 | 68.53 | 80.70 | 95.34 | 112.97 | 134.21 | 159.82 | 190.70 |
| 29 | 52.97 | 62.32 | 73.64 | 87.35 | 103.97 | 124.14 | 148.63 | 178.40 | 214.58 |
| 30 | 56.08 | 66.44 | 79.06 | 94.46 | 113.28 | 136.31 | 164.49 | 199.02 | 241.33 |
| 31 | 59.33 | 70.76 | 84.80 | 102.07 | 123.35 | 149.58 | 181.94 | 221.91 | 271.29 |
| 32 | 62.70 | 75.30 | 90.89 | 110.22 | 134.21 | 164.04 | 201.14 | 247.32 | 304.85 |
| 33 | 66.21 | 80.06 | 97.34 | 118.93 | 145.95 | 179.80 | 222.25 | 275.53 | 342.43 |
| 34 | 69.86 | 85.07 | 104.18 | 128.26 | 158.63 | 196.98 | 245.48 | 306.84 | 384.52 |
| 35 | 73.65 | 90.32 | 111.43 | 138.24 | 172.32 | 215.71 | 271.02 | 341.59 | 431.66 |
| 36 | 77.60 | 95.84 | 119.12 | 148.91 | 187.10 | 236.12 | 299.13 | 380.16 | 484.46 |
| 37 | 81.70 | 101.63 | 127.27 | 160.34 | 203.07 | 258.38 | 330.04 | 422.98 | 543.60 |
| 38 | 85.97 | 107.71 | 135.90 | 172.56 | 220.32 | 282.63 | 364.04 | 470.51 | 609.83 |
| 39 | 90.41 | 114.10 | 145.06 | 185.64 | 238.94 | 309.07 | 401.45 | 523.27 | 684.01 |
| 40 | 95.03 | 120.80 | 154.76 | 199.64 | 259.06 | 337.88 | 442.59 | 581.83 | 767.09 |

## Table 3 - used in Worksheet 2

| Years | Rate of Return Factors for a Series of Payments | | | | | |
|---|---|---|---|---|---|---|
| | 1% | 2% | 3% | 4% | 5% | 6% |
| 15 | 0.0060 | 0.0064 | 0.0069 | 0.0074 | 0.0079 | 0.0084 |
| 16 | 0.0056 | 0.0061 | 0.0065 | 0.0070 | 0.0075 | 0.0081 |
| 17 | 0.0053 | 0.0058 | 0.0062 | 0.0067 | 0.0073 | 0.0078 |
| 18 | 0.0051 | 0.0055 | 0.0060 | 0.0065 | 0.0070 | 0.0075 |
| 19 | 0.0048 | 0.0053 | 0.0057 | 0.0062 | 0.0068 | 0.0073 |
| 20 | 0.0046 | 0.0051 | 0.0055 | 0.0060 | 0.0066 | 0.0071 |
| 21 | 0.0044 | 0.0049 | 0.0053 | 0.0059 | 0.0064 | 0.0070 |
| 22 | 0.0042 | 0.0047 | 0.0052 | 0.0057 | 0.0062 | 0.0068 |
| 23 | 0.0041 | 0.0045 | 0.0050 | 0.0055 | 0.0061 | 0.0067 |
| 24 | 0.0039 | 0.0044 | 0.0049 | 0.0054 | 0.0059 | 0.0065 |
| 25 | 0.0038 | 0.0042 | 0.0047 | 0.0053 | 0.0058 | 0.0064 |
| 26 | 0.0036 | 0.0041 | 0.0046 | 0.0051 | 0.0057 | 0.0063 |
| 27 | 0.0035 | 0.0040 | 0.0045 | 0.0050 | 0.0056 | 0.0062 |
| 28 | 0.0034 | 0.0039 | 0.0044 | 0.0049 | 0.0055 | 0.0061 |
| 29 | 0.0033 | 0.0038 | 0.0043 | 0.0048 | 0.0054 | 0.0060 |
| 30 | 0.0032 | 0.0037 | 0.0042 | 0.0048 | 0.0053 | 0.0060 |
| 31 | 0.0031 | 0.0036 | 0.0041 | 0.0047 | 0.0053 | 0.0059 |
| 32 | 0.0030 | 0.0035 | 0.0040 | 0.0046 | 0.0052 | 0.0058 |
| 33 | 0.0030 | 0.0034 | 0.0040 | 0.0045 | 0.0051 | 0.0058 |
| 34 | 0.0029 | 0.0034 | 0.0039 | 0.0045 | 0.0051 | 0.0057 |
| 35 | 0.0028 | 0.0033 | 0.0038 | 0.0044 | 0.0050 | 0.0057 |

## Table 4 - used in Worksheet 3

| Years | Factor for Salary Increases to Determine HAC* | | | | | |
|---|---|---|---|---|---|---|
| | 1% | 2% | 3% | 4% | 5% | 6% |
| 3 | 1.015 | 1.030 | 1.045 | 1.061 | 1.076 | 1.092 |
| 4 | 1.025 | 1.051 | 1.077 | 1.103 | 1.130 | 1.157 |
| 5 | 1.035 | 1.072 | 1.109 | 1.147 | 1.187 | 1.227 |
| 6 | 1.046 | 1.093 | 1.142 | 1.193 | 1.246 | 1.300 |
| 7 | 1.056 | 1.115 | 1.177 | 1.241 | 1.308 | 1.378 |
| 8 | 1.067 | 1.137 | 1.212 | 1.291 | 1.374 | 1.461 |
| 9 | 1.077 | 1.160 | 1.248 | 1.342 | 1.442 | 1.549 |
| 10 | 1.088 | 1.183 | 1.286 | 1.396 | 1.514 | 1.642 |
| 11 | 1.099 | 1.207 | 1.324 | 1.452 | 1.590 | 1.740 |
| 12 | 1.110 | 1.231 | 1.364 | 1.510 | 1.670 | 1.845 |
| 13 | 1.121 | 1.256 | 1.405 | 1.570 | 1.753 | 1.955 |
| 14 | 1.132 | 1.281 | 1.447 | 1.633 | 1.841 | 2.073 |
| 15 | 1.144 | 1.307 | 1.491 | 1.698 | 1.933 | 2.197 |
| 16 | 1.155 | 1.333 | 1.535 | 1.766 | 2.029 | 2.329 |
| 17 | 1.167 | 1.359 | 1.581 | 1.837 | 2.131 | 2.468 |
| 18 | 1.178 | 1.387 | 1.629 | 1.910 | 2.237 | 2.617 |
| 19 | 1.190 | 1.414 | 1.678 | 1.987 | 2.349 | 2.774 |
| 20 | 1.202 | 1.443 | 1.728 | 2.066 | 2.467 | 2.940 |
| 21 | 1.214 | 1.471 | 1.780 | 2.149 | 2.590 | 3.116 |
| 22 | 1.226 | 1.501 | 1.833 | 2.235 | 2.720 | 3.303 |
| 23 | 1.239 | 1.531 | 1.888 | 2.324 | 2.856 | 3.502 |
| 24 | 1.251 | 1.561 | 1.945 | 2.417 | 2.998 | 3.712 |
| 25 | 1.263 | 1.593 | 2.003 | 2.514 | 3.148 | 3.934 |
| 26 | 1.276 | 1.625 | 2.063 | 2.615 | 3.306 | 4.170 |
| 27 | 1.289 | 1.657 | 2.125 | 2.719 | 3.471 | 4.421 |
| 28 | 1.302 | 1.690 | 2.189 | 2.828 | 3.645 | 4.686 |
| 29 | 1.315 | 1.724 | 2.255 | 2.941 | 3.827 | 4.967 |
| 30 | 1.328 | 1.758 | 2.322 | 3.059 | 4.018 | 5.265 |
| 31 | 1.341 | 1.794 | 2.392 | 3.181 | 4.219 | 5.581 |
| 32 | 1.355 | 1.829 | 2.464 | 3.308 | 4.430 | 5.916 |
| 33 | 1.368 | 1.866 | 2.538 | 3.441 | 4.651 | 6.271 |
| 34 | 1.382 | 1.903 | 2.614 | 3.578 | 4.884 | 6.647 |
| 35 | 1.396 | 1.941 | 2.692 | 3.721 | 5.128 | 7.046 |
| 36 | 1.410 | 1.980 | 2.773 | 3.870 | 5.385 | 7.469 |

*set back 1.5 years for 3 year average

# Appendix B

## Election Forms

### Form REG

To be used by State and Local Government Employees

### Form MUS

To be used by Montana University System Employees ONLY

## Return Completed Elections Forms To

The Montana Public Employee Retirement Administration
PO Box 200131
Helena MT 59620-0131

# Appendix B

## Election Forms

### Form REG

To be used by State and Local Governmental Employees

### Form MUS

To be used by Montana University System Employees ONLY

### Return Completed Elections Forms To

The Montana Public Employee Retirement Administration
PO Box 200131
Helena MT 59620-0131

**FORM-REG**

Montana Public Employee Retirement Administration
Public Employees' Retirement System

# RETIREMENT PLAN CHOICE - IRREVOCABLE ELECTION

**Please print with ink or type**

Name: (last) _____ (first & middle initial) _____ (previous last name) _____

Social Security Number* _____-_____-_____

Home Address: (street/p.o. box/rural route/etc.) _____ (city) _____

(state) _____ (zip) _____

Employing Agency or Agencies (list all) _____ City _____

Mo____Day____Yr____
Date of Birth

MPERA USE ONLY
Received: _____
Posted: _____
Window Close: _____

YOU MUST ELECT ONLY ONE PLAN

## DEFINED BENEFIT RETIREMENT PLAN (DBRP)

**ELECTION:** I choose to exercise my **irrevocable** election to remain in the PERS Defined Benefit Retirement Plan (DBRP).

**Acknowledgement**: I have had the opportunity to be educated about the retirement plan choices and assume complete responsibility for this irrevocable election. Once filed with the MPERA, I cannot change my election except as outlined below:

I understand that this decision means: (a) I remain a participant of the DBRP and am entitled to a retirement benefit from that plan when eligible; (b) I will remain a participant of the DBRP as long as I remain a member of PERS; and (c) I cannot become a participant of the DCRP unless I terminate employment in a PERS-covered position, terminate membership in PERS, and resume employment in a PERS-covered position twenty-four (24) or more months following termination of PERS membership.

_____ _____
Member Signature Date

## DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)

**ELECTION:** I choose to exercise my **irrevocable** election to join the PERS Defined Contribution Retirement Plan (DCRP).

**Acknowledgement:** I have had the opportunity to be educated about the retirement plan choices and assume complete responsibility for this irrevocable election. Once filed with the MPERA, I cannot change my election except as outlined below:

I understand that this decision means: (a) I am no longer a participant of the DBRP and I am not entitled to a retirement benefit from that plan; (b) I will remain a participant of the DCRP as long as I remain a member of PERS; and (c) I cannot become a participant of the DBRP unless I terminate employment in a PERS-covered position, terminate membership in PERS, and resume employment in a PERS-covered position twenty-four (24) or more months following termination of PERS membership.

I further understand that (a) my past contributions to the DBRP, a statutorily-defined percentage of my employer's past contributions to the DBRP, and 8% interest per annum on both will transfer to my account in the DCRP; (b) my retirement contributions and a statutorily-defined portion of my employer's future retirement contributions will be placed in my DCRP account; (c) administrative expenses will be deducted from my DCRP account; and d) I assume the risk of any losses as well as any gains resulting from my investments of my DCRP account.

_____ _____
Member Signature Date

*Mandatory for ID purposes §19-2-403(7), MCA
Elections are not effective until the MPERA confirms your eligibility to make this election. Upon receipt of this Election Form, the MPERA will a) confirm your election; b) inform you of additional action necessary before your election can be confirmed; or c) notify you that you are not eligible to make this election.

**FORM-MUS** Montana Public Employee Retirement Administration
Public Employees' Retirement System

# RETIREMENT PLAN CHOICE – IRREVOCABLE ELECTION

## MONTANA UNIVERSITY SYSTEM EMPLOYEES ONLY

Print with ink or type

_____/_____ _____-____-_____
Name (last) (first & middle initial) (previous last name) Social Security Number*

_____/_____ _____ _____
Mailing Address City State Zip

_____
Street Address if different from mailing address. Required for ORP elections.

_____/_____ Mo____Day____Yr___
Employing Agency or Agencies (list all) City Date of Birth

*Mandatory for ID purposes. §19-2-403(7), MCA

As a Montana University System employee, you may have two decisions to make regarding your retirement plan.

Your first decision is which retirement plan is better for you.

a) a defined benefit retirement plan; or
b) a defined contribution retirement plan

If you decide a defined contribution retirement plan is better for you, you have a second decision to make. You must then elect either the

a) PERS Defined Contribution Retirement Plan; or
b) Montana University System Optional Retirement Program (currently administered by TIAA-CREF)
If you elect the ORP, your street address must be provided in order for TIAA-CREF to establish your individual account.

Make your retirement plan election on the back of this sheet. Return your election to

The Montana Public Employee Retirement Administration (MPERA)
PO Box 200131
Helena, MT 59620-0131

**DO NOT RETURN YOUR ELECTION TO CAMPUS PERSONNEL**

Elections are not effective until the MPERA confirms your eligibility to make this election. Upon receipt of this Election Form, the MPERA will a) confirm your election; b) inform you of additional action necessary before your election can be confirmed; or c) notify you that you are not eligible to make this election.

MPERA USE ONLY

Received _____

Posted _____

Confirmed _____

## DEFINED BENEFIT RETIREMENT PLAN (DBRP)

**ELECTION:** I choose to exercise my **irrevocable** election to remain in the PERS Defined Benefit Retirement Plan (DBRP).

**Acknowledgement:** I have had the opportunity to be educated about the retirement plan choices and assume complete responsibility for this irrevocable election. Once filed with the MPERA, I cannot change my election except as outlined below:

I understand that this decision means: (a) I remain a participant of the DBRP and am entitled to a retirement benefit from that plan when eligible; (b) I will remain a participant of the DBRP as long as I remain a member of PERS; (c) I cannot become a participant of the DCRP unless I terminate employment in a PERS-covered position, terminate membership in PERS and resume employment in a PERS-covered position twenty-four (24) or more months following termination of PERS membership; and (d) I cannot become a participant of the ORP unless I terminate employment in a PERS-covered position, terminate membership in PERS and resume employment in a Montana University System PERS-covered position twenty-four (24) or more months following termination of PERS membership.

_____ _____

Member Signature Date

## PERS DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)

**ELECTION:** I choose to exercise my **irrevocable** election to join the PERS Defined Contribution Retirement Plan (DCRP).

**Acknowledgement:** I have had the opportunity to be educated about the retirement plan choices and assume complete responsibility for this irrevocable election. Once filed with the MPERA, I cannot change my election except as outlined below:

I understand that this decision means: (a) I am no longer a participant of the DBRP and I am not entitled to a retirement benefit from that plan; (b) I will remain a participant of the DCRP as long as I remain a member of PERS; (c) I cannot become a participant of the DBRP unless I terminate employment in a PERS-covered position, terminate membership in PERS and resume employment in a PERS-covered position twenty-four (24) or more months following termination of PERS membership; and (d) I cannot become a participant of the ORP unless I terminate employment in a PERS-covered position, terminate membership in PERS and resume employment in a Montana University System PERS-covered position twenty-four (24) or more months following termination of PERS membership.

I further understand that (a) my past contributions to the DBRP, a statutorily-defined percentage of my employer's past contributions to the DBRP, and 8% interest per annum on both will transfer to my account in the DCRP; (b) my retirement contributions and a statutorily-defined portion of my employer's future retirement contributions will be placed in my DCRP account; (c) administrative expenses will be deducted from my DCRP account; and (d) I assume the risk of any losses as well as any gains resulting from my investments of my DCRP account.

_____ _____

Member Signature Date

## MONTANA UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM (ORP)

**ELECTION:** I choose to exercise my **irrevocable** election to join the Montana University System Optional Retirement Program (ORP).

**Acknowledgement:** I have had the opportunity to be educated about the retirement plan choices and assume complete responsibility for this irrevocable election. Once filed with the MPERA, I cannot change my election except as outlined below:

I understand that this decision means: (a) I am no longer a member of PERS and I am not entitled to a retirement benefit from PERS; (b) I will remain a participant of the ORP as long as I remain an employee of the Montana University System; and (c) I cannot become a member of PERS unless I terminate employment with the Montana University System and become employed in a non-Montana University System position that is PERS-covered.

I further understand that (a) my past contributions to the DBRP, a statutorily-defined percentage of my employer's past contributions to the DBRP, and 8% interest per annum on both will transfer to my account in the ORP; (b) my retirement contributions and a statutorily-defined portion of my employer's future retirement contributions will be placed in my ORP account; (c) administrative expenses will be deducted from my ORP account; and (d) I assume the risk of any losses as well as any gains resulting from my investments of my ORP account.

_____ _____

Member Signature Date

November 2006

**Montana Public Employee Retirement Administration**
P.O. Box 200131
100 North Park Avenue
Helena, MT 59620-0131
406-444-3154 or 1-877-275-7372
www.mpera.mt.gov

100 North Park
P.O. Box 200131
Helena, MT 59620-0131

This publication is designed to provide accurate and authoritative information to PERS members for the evaluation of the Defined Benefit and Defined Contribution Retirement Plans. This information is based on 2005 law and is subject to future legislative changes. If this publication differs from law or rules as the Public Employees' Retirement Board interprets them, the law or rules will apply.

The purpose of this information is to assist members in making their retirement plan election. The retirement plan information and analysis contained herein is based on projections of future investment return and inflation. Any assumptions or default calculations in this publication are based on past performance, which is not indicative of future performance. This publication is offered as an education tool, and is distributed with the understanding that the MPERA is not engaged in the rendering of legal, accounting, tax or professional services. PERS members should make the comparison of the plans within the context of their own personal situation, and may wish to seek competent professional assistance.

# Montana Employee Retirement Administration